

Corporate social responsibility

Corporate Social Responsibility (CSR) embraces all of the ways in which a company affects society, including the effects of its products, how it treats staff and suppliers, and its stance on issues such as the environment and human rights. In the UK, the 'Winning with Integrity' report from the non-governmental organisation Business in the Community defined seven areas for companies to manage:

- The company purpose and values – the fundamental sustainability of the company's mission and how the values are developed and communicated.
- The way the company treats its employees.
- The social impacts of the company's products and behaviour in the marketplace.
- The company's management of human rights.
- Community relations.
- Environmental issues.
- The management frameworks supporting these areas.

There is no question that the primary responsibility of any company is to satisfy its shareholders, but the Board of GUS believes that the Company is better placed to make a long-term return if it considers carefully its impact on society. To that end, the Company is making an investment in its management of CSR, which must be weighed against the benefits it produces. In this context, our principal objectives are:

- The management and control of non-financial risks and opportunities.
- Reducing operating costs.
- Satisfying the needs of our shareholders, including those in the field of Socially Responsible Investment (SRI).
- Delivering other less tangible benefits to our reputation and to our relationships with employees and customers.

Management arrangements

Overall responsibility for CSR lies with David Morris, the GUS Company Secretary. This reflects both the links between corporate governance and CSR and the increasing shareholder interest in the subject.

He ensures that CSR issues have a regular place on the Board agenda and is supported by a CSR Steering Group under his chairmanship. The formal Terms of Reference for this Group include the highlighting of risks and opportunities for the attention of the Board and the setting of indicators by which GUS will measure its progress.

This CSR Group draws on staff with relevant expertise from all of the Group's main businesses, including experts in communications, internal audit, community affairs, consumer rights and the environment. It is also supported by external advisers.

GUS is committed to benchmarking its CSR performance, both within the Company and externally using a set of quantified indicators. We will use these indicators to set targets and measure and report our progress.

Business in the Community has established a working group of twenty large companies to establish and pilot a common set of CSR indicators across all participants. GUS is pleased to be part of that group and data on our CSR indicators will shortly be found on the working group website (www.iosreporting.org).

GUS has developed an overarching set of CSR Principles, which have been reviewed and approved by the Board. The next stage is for each of the Group businesses to be confident that they have in place appropriate policies to support these principles. In the coming months, each business will be asked to review its existing policies to ensure they cover all of the relevant areas and meet the standards of our CSR Principles.

Risks and opportunities

The CSR 'agenda' presents both risks and opportunities for GUS and CSR is an integral part of our ongoing risk management processes. All risks, including those in the supply chain and those relating to the environment and human rights, should be identified, understood and controlled appropriately and senior management kept informed of progress and problems. Each divisional company performs an annual risk assessment, which includes non-financial risks. The results of these assessments are reported to the Board through the Audit Committee, and are used to direct the Internal Audit function to any areas requiring review or independent verification.

In the year ahead, we plan to implement a standard method for inclusion of CSR related risks in all divisional risk assessments, which will allow us to improve comparison of risks across divisions, the effectiveness of our control and audit procedures, and our ability to report these risks. We will further establish our programmes on social and ethical standards in our supply chains.

CSR may present opportunities to deliver new services to our business customers, who themselves are managing their own corporate responsibilities. There is also scope to improve the choice of products we offer to consumers, catering for those who make ethical choices in their purchases or those with special needs. We are seeking to strengthen the way in which we identify CSR-related opportunities, including the promotion of particular 'cause related' consumer products.

Reducing operating costs

Reducing our environmental impact offers us cost benefits. We regard the management of energy, waste and other costs as 'business as usual' rather than as a separate environmental initiative, so we must be careful to avoid double-counting the benefits. However, it is helpful to consider the scale of the savings and an example is shown below.

In the year ended March 2001, our UK businesses consumed 407m kWh of energy in their premises. The following year (ended March 2002) this figure was 390m kWh, representing a fall of roughly 4%. Over the same time period, the turnover of the UK businesses rose by 9%, representing a significant energy saving. Taking an average unit cost for the business, this equates to an annual saving of over £1.5m.

Socially responsible investment

Over the past year, GUS has had dialogue on CSR with several major shareholders, providing us with the opportunity to talk through our progress and plans. These meetings have been very productive, allowing us to understand clearly the areas of concern for our investors. We seek to ensure that our investors are convinced that we have clear sight of both the risks and opportunities.

In specific terms, GUS is now listed in two 'ethical' indices. We are a component in the UK FTSE4Good Index, which comprises a subset of the UK's largest companies, selected using environmental and ethical criteria.

We are also included in the Dow Jones Global Sustainability Index which uses a complex and rigorous assessment process to pick the most 'sustainable' companies from a global base of over 3,000 organisations. GUS is one of some 300 companies listed in the Global Index.

Both of these indices are in their early days, but it seems clear that the value of 'socially responsible' funds will continue to grow and that companies able to demonstrate their credentials will in time reap the benefits of a larger market for their shares.